

LEGISLATION IN 2018

SB 151 (Pension Reform)

1. Creates a Defined Contribution Tier 4

- Optional to new employees (or opt-in Tier 3)
- Current employees have a one-time opt-in option
- All Tiers can opt-in to Tier 4

2. Changes earnings credit on Tier 3

WAS: 4% + 75% of excess over 4%, 5 year average

NOW: 85% of fund earnings, 10 year average

3. Changes Funding Policy

WAS: Percent of payroll

NOW: Normal cost percentage plus level dollar funding with new 30 year closed end unfunded liability amortization

4. Adds 1% Employee Health Care Contribution

- Members who began participating between 7/1/03 and 8/31/08

LEGISLATION IN 2018

SB 151 (Pension Reform)

- 5. **Changes Sick Leave Rules**
- 6. **Changes Retired Re-employed Rules**
- 7. **Public Pension Oversight Board (PPOB) to establish an advisory committee to study possible CERS separation**
 - Report due to PPOB no later than December 1, 2019

LEGISLATION IN 2018

HB 185 (Line of Duty Deaths)

- 1. Defines Monthly Average Pay (MAP)**
- 2. Increases spouse's benefit from 25% to 75% of MAP**
- 3. If no surviving spouse, increase dependent child payment from 10% to:**
 - 50% for one dependent child
 - 65% for two dependent children
 - 75% for three dependent children
- 4. Insurance premium for spouse and children fully paid**
- 5. Estimated additional annual cost \$700 thousand**

LEGISLATION IN 2018

HB 362 (Cessation)

1. Phases in CERS contribution rates beginning FY 2019

- Will increase by 12% a year (*example: 19.18% goes to 21.48%*)
- Allowed for 10 years

2. Allows approximately 215 employers to opt-out

- Calculate unfunded liability per HB 351
- Allows them to pay over a period of up to 40 years
- Charge 0% interest on the loan
- Would effectively cost KRS about \$2 billion
- Would raise KERS Non-Hazardous contribution rate by 6-8%

3. Vetoed by the Governor. Replaced by:

- A. Item #1 (above) did not change
- B. Item #2 (above) was replaced with portions of HB 265 and HB 487.
KRS will provide an opt-out plan by December 2018.

LEGISLATION IN 2018

HB 200 (State Executive Branch budget) and
HB 265 (Budget Cleanup bill - EMERGENCY)

1. KRS administrative budget approved at \$47 mil in FY2018-19 and \$48 mil for FY2019-20

- Budget amounts unchanged from the prior biennium with the exception of the increase in the actuarially required contribution amounts.
- Provides additional General Fund allocation of \$1 mil in both FY2018-2019 and FY2019-2020 to be applied to the SPRS pension fund's unfunded liability

2. Under HB 265, employer contribution rates for FY2019 shall be 49.47% (41.06% for pension and 8.41% for insurance) for KERS Non-Hazardous employers

- Regional Mental Health/Mental Retardation Boards
- Local and District Health Departments
- Contracted Entities (e.g. Child Advocacy Centers)
- State Universities and Community Colleges
- Contribution funding from Finance and Administration Cabinet and Personnel Cabinet Enterprise Fund

LEGISLATION IN 2018

HB 200 (State Executive Branch budget) and
HB 265 (Budget Cleanup bill - EMERGENCY)

- 3. HB 200 transfers \$4 mil in FY2018-2019 to the Department of Kentucky State Police to pay pension spiking costs and sick leave service credit**
- 4. Prohibits transfer of funds to the General Fund from the Kentucky Permanent Pension Fund**
- 5. Any surplus moneys from FY 2017-2018 will be appropriated to KRS to be applied to the KERS Non-Hazardous pension fund's unfunded liability**

LEGISLATION IN 2018

HB 200 (State Executive Branch budget) and
HB 265 (Budget Cleanup bill - EMERGENCY)

6. Surplus moneys from FY2018-2019 are to be allocated as follows:

- "... up to \$70 mil..." to the Teachers' Retirement System Medical Insurance Fund
- Any remaining amount to KRS to be applied to unfunded pension liability of KERS Non-Hazardous pension fund

7. No COLAs for KRS retirees

8. No raises for state employees, with a few exceptions (social workers and forensic laboratory technicians)